

**UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

**UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>PAGE</u>
<u>OPINION</u>	
Independent Auditors' Report	1-2
<u>M D & A</u>	
Management Discussion and Analysis	3-9
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
EXHIBIT A Statement of Net Assets - Proprietary Funds	10
EXHIBIT B Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	11-12
EXHIBIT C Statement of Cash Flows - Proprietary Funds	13-14
Notes to Financial Statements	15-25
<u>SCHEDULES</u>	
SCHEDULE 1 Statement of Revenues	26
SCHEDULE 2 Statement of Expenses	27
SCHEDULE 3 Statement of Revenues, Expenses and Changes in Fund Net Assets - Allocated for all Centers	28-29
<u>REPORTS ACCORDING TO GOVERNMENT AUDITING STANDARDS</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Govern- ment Auditing Standards	30-31
<u>SUPPLEMENTAL STATE COMPLIANCE</u>	
Report on Legal Compliance with Applicable Utah State Laws and Regulations	32-33

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INDEPENDENT AUDITORS' REPORT

Administrative Control Board
Uintah Health Care
Special Service District
Vernal, Utah 84078

We have audited the accompanying financial statements of the business-type activities of Uintah Health Care Special Service District (a component unit of Uintah County), as of and for the year ended December 31, 2006, as listed in the financial section of the table of contents. These financial statements are the responsibility of the Uintah Health Care Special Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Uintah Health Care Special Service District, as of December 31, 2006, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, on our consideration of Uintah Health Care Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Uintah Health Care Special Service District's basic financial statements. The accompanying financial information listed as supporting schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", is written over the printed firm name.

Price, Utah

June 27, 2007

**UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
DBA UINTAH CARE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of Uintah Health Care Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006. All of the financial activity results from "business-type" activities.

FINANCIAL HIGHLIGHTS

As of September 14, 2006 the District included the Council on Aging – Golden Age Center as a controlled entity and the Tri-County Health Department as a contracted entity. The Uintah Care Center and the other two entities may receive mineral lease distributions by being part of the newly modified District. Accounting control for Council on Aging began on October 1, 2006 and services for Council on Aging, were continued by the Uintah County through 2006 and into the future until other arrangements can be made.

- ❖ Total Revenues from business activities increased to \$5,442,602 in 2006 from \$4,425,140 in 2005. An increase of 22.99% in business revenue. The increase is due to the addition of the mineral lease funds and Council on Aging entity.
- ❖ Total business expenses increased to \$5,425,752 in 2006 up from \$4,593,250 in 2005. An increase of 18.12%. (Increases in expenses were mainly due to accounting for the new Council on Aging entity.
- ❖ Non-operational revenues and equipment asset transfers from Uintah County to the district were as follows:
 - a. Cash transfers to support operations totaled \$216,000 in 2006, as compared to \$216,000 in 2005 and \$290,000 in 2004. (Note: The Service District pays building rent to the County. The difference between the County cash transfers and rent is the net burden to the County funds or taxpayers. Thus: 2006: \$216,000 less \$216,000 (rent) equals no net cash support.)
 - b. Equipment assets transferred to the District from the County totaled \$31,621 in 2006, \$37,395 in 2005, and \$123,232 in 2004. The 2006 equipment transferred from the County was needed and necessary for the operations of the Care Center. Most of these assets were less than the capitalization amount of the District (\$5,000), therefore, the equipment that is valued less than the \$5,000 threshold has been recorded as current year expenses. The 2006, 2005 and 2004 transfers were mostly equipment.
 - c. Interest earned in 2006 totaled \$16,218 as compared to \$6,915 in 2005 and \$1,291 in 2004. The increase in earnings was due to an increase in average cash balances and an increase in interest rates.
 - d. Net assets during 2006 increased by \$258,461 as compared to an increase of \$43,670 in 2005 and a decrease of (\$70,899) in 2004. Change in net assets is detailed in Net Asset Report of the District's Key Financial Reports (page 5).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports; Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows, comprise pages (10-14). Standard and acceptable accounting practices are followed in preparation of these reports. The cost accounting formats used are those recommended in the Federal Medicare and Medicaid rules for health care facilities. The purpose of the financial reports is to identify Revenues and Expenses resulting from business activities. The net income or (loss) from operations, adjusted for depreciation, identifies the need for financial support for operations from Uintah County. Certain key financial ratios taken from the Statement of Net Assets help identify financial strength and liquidity. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

REPORTING THE DISTRICT BUSINESS OPERATIONS

Our analysis of the District as a whole begins on page 10. The key financial reports, prepared by an independent auditing firm provide the accounting from which various reports herein are created. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Assets summarize the District's business operations for the year and provide a basis for assessing financial strengths and weaknesses. From these reports trends are monitored and budgets are prepared for future months. These reports are prepared using the accrual accounting method, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or payment made. (Note: The detailed Auditor's Report is available for review at the Uintah Care Center office of the administrator.)

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, the District shows all of the activities in one fund.

- ❖ Business-type activities – The District charges patients for their individual care and other services that are provided. The charges cover most of the cost of services associated with providing the care. Uintah County subsidizes the operations by making available funds if losses occur and by providing funds for capital improvements.

REPORTING THE DISTRICT'S SIGNIFICANT FUND

The District has only one fund, which accounts for the activity of the District. The entity-wide financial statements, which begin on page 10, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using an accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT'S KEY FINANCIAL REPORTS

NET ASSET REPORT

	BUSINESS- TYPE ACTIVITIES 2004	BUSINESS- TYPE ACTIVITIES 2005	BUSINESS- TYPE ACTIVITIES 2006
ASSETS			
Current and other assets	\$ 916,628	\$ 704,803	\$ 1,107,888
Capital assets	196,964	178,182	152,328
Total assets	<u>\$ 1,113,592</u>	<u>\$ 882,985</u>	<u>\$ 1,260,216</u>
LIABILITIES			
Current liabilities	<u>\$ 629,853</u>	<u>\$ 355,576</u>	<u>\$ 474,346</u>
Total liabilities	<u>\$ 629,853</u>	<u>\$ 355,576</u>	<u>\$ 474,346</u>
NET ASSETS			
Invested in Capital Assets, net of debt	\$ 196,964	\$ 178,182	\$ 152,328
Unrestricted	286,775	349,227	633,542
Total net assets	<u>\$ 483,739</u>	<u>\$ 527,409</u>	<u>\$ 785,870</u>

Net Assets of the District are \$ 785,870. *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$ 633,542. These net assets are used to finance the continuing operations of providing services to the care facility.

During 2006 the District has tried to operate within the parameters of the Care Center's revenues and expenditures and not rely upon outside sources. The current year has reflected these operational goals, by the increase in the District's Net Assets. The Board of Directors and management feel that the facility is achieving some of their objectives and will continue to progress closer to their other goals. The increase of \$258,461 is a significant change from the reduction of \$70,899 in 2004.

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending 2006 is 2.34. The industry average is approximately 1.1 to 1.5. The ratio for the year ending 2005 was 1.98. The District's ratio indicates a strong liquidity position.

CHANGES IN NET ASSETS

	BUSINESS- TYPE ACTIVITIES 2004	BUSINESS- TYPE ACTIVITIES 2005	BUSINESS- TYPE ACTIVITIES 2006
REVENUES			
Program Revenues:			
Charges for services	\$ 4,018,503	\$ 4,425,140	\$ 4,784,531
Capital grants and contributions	216,000	216,000	216,000
Intergovernment revenue			116,841
General Revenues:			
Mineral lease revenue			522,379
Grants and contributions - not restricted	123,232	37,395	40,892
Other general revenues	1,291	6,915	25,804
Total revenues	<u>\$ 4,359,026</u>	<u>\$ 4,685,450</u>	<u>\$ 5,706,447</u>
EXPENSES			
Program Expenses:			
Salaries and fringe	\$ 2,883,726	\$ 3,033,463	\$ 3,748,593
Management and consulting	295,502	292,443	297,739
Materials and supplies	569,204	655,410	714,996
Utilities and telephone	150,941	157,847	176,484
Insurance	87,433	74,864	55,985
Depreciation	33,045	36,091	37,728
Repairs and maintenance	46,653	30,896	44,399
Rent	216,000	216,000	216,000
Other	154,745	97,563	156,062
Total expenses	<u>\$ 4,437,249</u>	<u>\$ 4,594,577</u>	<u>\$ 5,447,986</u>
Prior period adjustment	<u>\$ 7,324</u>	<u>\$ (47,203)</u>	
Change in net assets	<u>\$ (70,899)</u>	<u>\$ 43,670</u>	<u>\$ 258,461</u>
Net assets - beginning	\$ 554,638	\$ 483,739	\$ 527,409
Net assets - ending	<u>483,739</u>	<u>527,409</u>	<u>785,870</u>
	<u>\$ (70,899)</u>	<u>\$ 43,670</u>	<u>\$ 258,461</u>

The operational goal for future years is to continue to strive to decrease the amount of revenue required from the County, by increasing business profitability.

CASH SOURCES AND USES

Beginning cash balance as of January 1, 2005	\$ 206,968
Change in net assets:	\$ 258,461
Depreciation (source of cash)	37,728
Accounts receivable increase (use of cash)	(88,908)
Due from other governments (use of cash)	(311,371)
Inventory decrease (source of cash)	17,124
Prepaid expenses decrease (source of cash)	1,108
Accounts payable decrease (use of cash)	(7,068)
Wages and payroll liabilities increase (source of cash)	27,542
Accrued wages payable increase (source of cash)	2,462
Due to other governments (source of cash)	82,252
Compensated absences (source of cash)	13,582
Capital asset acquisition\sales (use of cash)	(11,874)
Total change in net assets	<u>\$ 21,038</u>
Ending cash balance as of December 31, 2006	<u><u>\$ 228,006</u></u>

Use of all funds are controlled and authorized by the District's board of directors. The board of directors has delegated the day-to-day operations to a contracted management company who supervises Uintah Care Center and monitors the facility's licensed health care administrator. The administrator and management company follow the spending limits and budgets as approved by the board of directors. The board of directors exercises control of the Council on Aging and has its director report directly to the board. The board is assisted by an assistant clerk. All major capital expenditures are approved by the board of directors. The board of directors approves an annual operational budget and forwards it to the County Commission. The District also submits copies of the budget to the State Auditor as required by Utah State law.

BUSINESS ACTIVITIES AND PURPOSES

Revenues for the District are generated, by providing long-term skilled nursing care at the Uintah Care Center, Council on Aging and mineral lease funding. Several different payment sources reimburse the Care Center for the services provided. Funds come from Medicare, Medicaid, veterans' administration, insurance companies, private individual's funds, and County contributions. The Council on Aging receives funding through donations, governmental grants, and mineral lease funds. The District is a non-profit entity and is required to provide a limited amount of charity or free care. The objective of the District is to reduce the need for County funds. As the new facility "fills" it is management's objective to become more operationally independent and require little if any cash support from the County.

DEBT MANAGEMENT

The board of directors has not authorized any debt beyond authorized county budget support of operational losses and asset acquisition. No loans, bonds or other debt was allowed during 2006.

BUDGETARY HIGHLIGHTS

The 2006 budget was adopted for the current year on December 14, 2005. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The original budget amount was \$4,904,968 and the amended budget, which included the Golden Age Center was adopted on December 14, 2006 in the amount of \$6,465,524. After the auditor's adjustments, the actual expenditures amounted to \$5,447,986. The budget was under spent by \$1,017,538.

CAPITAL ASSETS

At the end of 2006, the District had net capital assets of \$152,328. A policy change and the implementation of expensing all equipment whose original cost (or fair market value if donated) is valued under \$5,000 were implemented in 2003. Future budgets have accounted for and anticipated the equipment capitalization expenditure. The budget for 2007 estimates, that \$38,000 will be used for capital expenditures. The following table shows the balance of assets reflected by the capitalization change.

**Capital Assets at Year-end
(Net of Depreciation)
2003, 2004 and 2006**

	Business-Type Activities		
	2004	2005	2006
Building Improvements		\$ 12,801	\$ 11,454
Equipment	\$ 183,489	165,381	140,874
Work in progress	13,475		
Net capital assets	\$ 196,964	\$ 178,182	\$ 152,328

The District did have major additions that met the criteria for capitalization for the current year. The District capitalized purchased and donated equipment during the year in the amount of \$11,874. Additional expenditures are included in the 2007 budget for equipment purchases.

ECONOMIC FORECAST AND FUTURE BUDGET

During 2006 the Care Center had no major construction and was in full service operation. Census continues to increase with space available for Medicare patients to come and go without any waiting list. Total census averaged 87 patients per day and our Medicare census averaged about 4 patients per day, which is an increase in total, but a decrease in Medicare from the previous year. Revenues from business operations and County contributions for 2006 are budgeted at \$4,846,339 for the Care Center. Expenses are budgeted at \$5,323,755. County support is budgeted at \$38,000 capital contributions and a rent subsidy of \$216,000. The budgeted loss estimated for 2006 is (\$203,416). Of that loss, depreciation makes up \$34,378, resulting in a net potential loss of (\$62,291). For the year 2006 we ended with a deficit. With the addition of the two new entities and mineral lease funding we are cautiously optimistic that 2007 could have a surplus as a district from mineral lease funds. The goal of the management and the board is not to be a cost burden to the County.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrator at 510 South 500 West, Vernal, Utah.

UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

HEALTH CARE FACILITIES

ASSETS

Current Assets:	
Cash	\$ 228,006
Accounts receivable	471,610
Less: Allowance for doubtful accounts	(5,968)
Due from other governments	311,371
Inventory	79,217
Prepaid expenses	23,652
	<hr/>
Total current assets	\$ 1,107,888
Noncurrent Assets:	
Capital Assets:	
Building Improvements	\$ 13,475
Equipment	283,099
Accumulated depreciation	(144,246)
	<hr/>
Total noncurrent assets	\$ 152,328
	<hr/>
Total assets	\$ 1,260,216
	<hr/>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 138,027
Accrued wages payable	80,687
Payroll taxes payable	57,006
Due to other governments	82,252
Compensated absences payable	116,374
	<hr/>
Total current liabilities	\$ 474,346
	<hr/>
Total liabilities	\$ 474,346
	<hr/>
Net Assets:	
Investment in capital assets, net of related debt	\$ 152,328
Unreserved	633,542
	<hr/>
Total net assets	\$ 785,870
	<hr/>
Total liabilities and net assets	\$ 1,260,216
	<hr/>

"The accompanying notes are an integral part of this statement."

UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

HEALTH CARE FACILITIES

Operating Revenues:

Charges for services -

Medicaid	\$ 2,934,814
Medicare	1,164,757
Day care	17,268
Veterans Admin/Managed Care/Private pay	1,221,009
Less: Contractual adjustments	(588,168)
Project income	34,851
Intergovernmental revenue	639,220
Donations	9,265
Miscellaneous	9,586

Total operating revenue	\$ 5,442,602
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Operating Expenses:

Salaries and benefits	\$ 3,748,593
Management services	152,299
Consultant and purchased services	145,440
Operating supplies	103,291
Medical supplies	110,121
Pharmacy costs	82,394
Recreation supplies	6,633
Bed assessment tax	187,143
Utilities	151,008
Telephone	25,476
Travel	8,837
Data processing	7,817
Insurance	55,985
Food costs	225,414
Depreciation	37,728
Building rent	216,000

Sub-total operating expenses	\$ 5,264,179
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"The accompanying notes are an integral part of this statement."

EXHIBIT B
(Continued)

**UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUNDS
	HEALTH CARE FACILITIES
Sub-total operating expenses (previous page)	\$ 5,264,179
Alternatives	14,608
Ombudsman	8,193
Nutrition	6,926
Contributions	1,139
Capital expenses (under threshold)	31,849
Postage and printing	4,523
Training and seminars	3,927
Repairs and maintenance	44,399
Fuel and auto repairs	8,646
Dues, subscriptions and license	13,701
Legal and accounting	13,100
Bank charges	4,375
Miscellaneous	6,187
Total operating expenses	\$ 5,425,752
Operating income/(loss)	\$ 16,850
Non-operating revenues/(expenses):	
Interest income	\$ 16,218
Interest expense	(11)
County contribution	216,000
County contribution - equipment	31,627
Contribution to other government	(22,223)
Total non-operating revenues/(expenses)	\$ 241,611
Change in net assets	\$ 258,461
Total net assets, January 1, 2006	527,409
Total net assets, December 31, 2006	\$ 785,870

"The accompanying notes are an integral part of this statement."

UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities:

Cash received from customers	\$ 4,714,474	
Cash received from governmental agencies	327,849	
Cash payments to suppliers for goods and services	(1,595,845)	
Cash payments to employees for services	(3,655,177)	
	<hr/>	
Net cash provided (used) by operating activities		\$ (208,699)

Cash flows from capital and related financing activities:

Acquisition of capital assets	\$ (11,874)	
Contribution to other government	(22,223)	
Interest/fees paid	(11)	
	<hr/>	
Net cash (used) for capital and related financing activities		(34,108)

Cash flows from investing activities:

Interest on investments received	\$ 16,218	
County contribution	247,627	
	<hr/>	
Net cash provided by investing activities		<hr/> 263,845

Net increase (decrease) in cash and cash equivalents	\$ 21,038
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Cash and cash equivalents at beginning of year	<hr/> 206,968
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Cash and cash equivalents at end of year	<hr/> <hr/> \$ 228,006
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"The accompanying notes are an integral part of this statement."

**UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:**

Operating income (loss)	\$ 16,850
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	\$ 37,728
Change in assets and liabilities:	
Increase in accounts receivable	(88,908)
Increase in due from other governments	(311,371)
Decrease in inventory	17,124
Decrease in prepaid expenses	1,108
Decrease in accounts payable	(7,068)
Increase in payroll taxes payable	27,542
Increase in accrued wages payable	2,462
Increase in due to other governments	82,252
Increase in compensated absences	13,582
	<hr/>
Total adjustments	(225,549)
	<hr/>
Net cash provided by operating activities	\$ (208,699)
	<hr/>

"The accompanying notes are an integral part of this statement."

**UINTAH HEALTH CARE
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Uintah Health Care Special Service District, was created as a special service district by the Uintah County Commissioners pursuant to the terms and provisions of Utah Code Annotated, 1953, as amended, Utah Special Service District Act, Part 13, Chapter 2, Title 17A, on December 11, 2000. The District is controlled by an Administrative Control Board and is a component unit of Uintah County. The Board's authority is derived from the County Commissioners, who has ultimate responsibility for the District.

The Board consists of seven members, each of whom is a qualified elector of the District and who are appointed by the County Commissioners. The County Commissioners appoint members familiar with the needs of the District as follows: Two (2) members represent the health care industry; one (1) member represents the financial industry; one (1) member represents the business community; and three (3) members are citizens at large interested in geriatric care. All seven members serve four (4) year terms.

The primary purpose of the District is to oversee, administer and manage a County owned, long-term, residential health care and day care facility that is responsive to the needs of the residents, their families and the community at large, through a consistently high standard of customized, clinical care. The accounting policies of Uintah Health Care Special Service District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

As of September 14, 2006 the District included the Council on Aging – Golden Age Center as a controlled entity and the Tri-County Health Department as a contracted entity. The Uintah Care Center and the other two entities may receive mineral lease distributions by being part of the newly modified District. Accounting control for Council on Aging began on October 1, 2006 and services for Council on Aging were continued by the Uintah County through 2006 and into the future until other arrangements can be made.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. **Reporting Entity**

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

B. **Government-Wide Financial Statements**

The government-wide financial statements consist of the statement of net assets, the statement of revenues, expenses and changes in fund net assets and the statements of cash flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund.

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that its costs to providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges. The function of the District is to oversee, administer and manage a County owned, long-term, residential health care and day care facility that is responsive to the needs of the residents, their families and the community at large, through a consistently high standard of customized, clinical care. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide or proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources, as they are needed.

Amounts reported as charges for services include all charges for all types of services charged to Medicaid, Medicare, Third party and private pay. Amount reported as County contribution consists of funds and new purchased equipment that has been given to the District and accounted for as a contribution from the County.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to patients for health care. Operating expenses for the District include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. **Capital Assets**

Capital assets, which include, equipment and furniture and fixtures are reported in the government-wide financial statements. Capital assets are defined by the District, as an asset with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District has adopted a capitalization threshold of \$5,000. This has eliminated from the capital asset list many items and has also kept the reporting of the assets purchased more in line with Medicaid reimbursement guidelines.

Equipment and furniture and fixtures of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	10
Equipment	2 - 10

E. **Budget and Budgetary Accounting**

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget and Budgetary Accounting (Continued)

2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. In accordance with State law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. At its option, the District may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.
3. The District Treasurer prepares a tentative budget and submits it for review with the Administrative Control Board at the October meeting. The tentative budget shall be submitted for Board approval at the November meeting.
4. After approval by the Board, the District Clerk shall submit the budget to the Uintah County Commissioners.
5. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
6. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
7. The District Clerk presents the tentatively adopted budget to the public in December at a public hearing. Members of the public may comment on the budget and recommend changes to the Administrative Control Board.
8. The Administrative Control Board considers the comments made by the public and makes final adjustments to the budget.
9. By December, the Administrative Control Board adopts the budget by resolution. A copy of the budget is certified by the Administrative Control Board Clerk and is filed with the State Auditor within 30 days of adoption. A certified copy of the budget is available for public inspection.
10. The budget may be amended to reflect changes in circumstances that occur during the year. Budgets may be increased by resolution of the Board at any time during the year.
11. Under the Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. The District Clerk shall certify as appropriate that a claim has been pre-audited, documented, and approved by the Board, or the Treasurer, and does not over expend the appropriate departmental budget established by the Board. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

F. Deposits and Investments

Public funds held by Uintah Health Care Special Service District may be deposited or invested only in instruments listed below and meet objectives outlined by State statutes, including: (a) safety of principal, (b) need for liquidity and (c) yield on investment.

Qualified investments:

- 1) Negotiable or non-negotiable deposits of qualified depositories.
- 2) Repurchase agreements with qualified depositories or primary reporting dealers.
- 3) Commercial paper, which is rated P-a by Moodys Investment Services or A-a by Standard and Poors, Inc., having a remaining term to maturity of 180 days or less.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. **Deposits and Investments (Continued)**

- 4) Banker's acceptances.
- 5) Other negotiable deposits of \$100,000 or more.
- 6) Obligations of the U.S. Treasury.
- 7) Obligations issued or guaranteed by some agencies or instrumentalities of the United States.
- 8) Tax anticipation and general obligation bonds of state and local governmental units.
- 9) Various other loans in accordance with Section 52-7-17 of the Utah Code Annotated 1953.

G. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, Uintah Health Care Special Service District considers all highly liquid investments (including restricted assets) with a maturity of six months or less when purchased to be cash equivalents. All amounts reported on the balance sheet as cash would be considered cash equivalents.

H. **Accounting Method**

The full accrual method of accounting is being used. Under the accrual method of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred.

I. **Inventories**

Inventories of supplies in enterprise funds are valued at the lower of cost or replacement cost using the first-in-first-out (FIFO) method.

J. **Accumulated Unpaid Vacation and Sick Leave (Compensated Absences)**

The District has vacation and sick leave policies, which determine an employee's vacation and sick leave based on the length of time of employment. The district pays fifty percent of the sick leave according to age and years of service and one hundred percent of the vacation hours, if proper resignation notices are given by the employee. The amount carried in the financial statements consists of vacation and sick leave hours accrued at year-end, at the prevailing rate of pay.

2. **ACCOUNTS RECEIVABLE**

Accounts receivable include the accrued amounts for private pay, third party insurance, Medicare and Medicaid. For the year ended December 31, 2006, an allowance for doubtful accounts has been recorded on the books. The allowance amount for the current year has been decreased to reflect current year collections and those accounts that are considered delinquent.

3. BUDGET VARIANCE

During the year ended December 31, 2006, the District did not overspend their budget in the Enterprise Fund.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance 12-31-05</u>	<u>Additions</u>	<u>Contributions & Adjustments</u>	<u>Balance 12-31-06</u>
Business-type activities:				
Capital assets not being depreciated:				
Work in progress				
Total capital assets not being depreciated	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>
Capital assets being depreciated:				
Building Improvements	\$ 13,475			\$ 13,475
Equipment	<u>271,225</u>	<u>\$ 11,874</u>		<u>283,099</u>
Total capital assets being depreciated	<u>\$ 284,700</u>	<u>\$ 11,874</u>	<u>\$...</u>	<u>\$ 296,574</u>
Less accumulated depreciation for:				
Building Improvements	\$ 674	\$ 1,347		\$ 2,021
Equipment	<u>105,844</u>	<u>36,381</u>		<u>142,225</u>
Total accumulated depreciation	<u>\$ 106,518</u>	<u>\$ 37,728</u>	<u>\$...</u>	<u>\$ 144,246</u>
Total capital assets, being depreciated, net	<u>\$ 178,182</u>	<u>\$ (25,854)</u>	<u>\$...</u>	<u>\$ 152,328</u>
Business-type activities capital assets, net	<u>\$ 178,182</u>	<u>\$ (25,854)</u>	<u>\$...</u>	<u>\$ 152,328</u>

5. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$79,771 of this amount \$79,771 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

5. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 194,650	\$ 194,650			
Total Investments	\$ 194,650	\$ 194,650	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 194,650				\$ 194,650
Total	\$ 194,650	\$...	\$...	\$...	\$ 194,650

5. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$194,650 invested in the Public Treasurer's Investment Fund and was held by them.

6. **INTERGOVERNMENTAL REVENUE**

The District receives contributions from Uintah County in the form of checks and from the purchase of equipment donated to the District. The revenue received is shown as non-operating revenues on the Statement of Revenues, Expenses and Changes in Retained Earnings.

7. **PENSION PLAN**

Local Governmental – Cost Sharing

Plan Description. Uintah Health Care Special Service District contributes to the Local Contributory Retirement System, Local Governmental Noncontributory Retirement System, which are all for cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement systems (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

7. **PENSION PLAN (Continued)**

Funding Policy. Plan members in the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% for January 2006 – June 2006 and 11.59% for July 2006 – December 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Uintah Health Care Special Service District's contributions to the Noncontributory Retirement System for the years ending December 31, 2006, 2005, and 2004 were \$223,647, \$184,978 and \$156,607 respectively. The contributions were equal to the required contributions for each year.

8. **PREPAID EXPENSES**

Uintah Health Care Special Service District purchased an insurance policy that covers an entire year. The District has elected to allocate the payment monthly, which requires the amount to be recorded as an asset in prepaid expenses and record an expense on a monthly basis.

9. **CONTRIBUTED ASSET PURCHASES**

Uintah Health Care Special Service District has received, from Uintah County, title to equipment, furniture and fixtures. These have been transferred to the District during the current year. The entire contribution has been recorded as non-operating revenue and those asset purchases that have been more than \$ 5,000 have been recorded as additions to capital assets on the balance sheet. All other items purchased less than the above amount have been recorded as current year operating expenditures in the financial statements.

10. **FUNDING SOURCES**

Uintah Health Care Special Service District shall operate on funds as provided by the Commissioners, obtained from general funds of the County, fundraisers, grants or other funding sources. The District has been granted funds from the County that correspond with their yearly lease payment made to the County for the rent of the building and property that are being used by the Uintah Health Care facility. Although funding is not a guaranteed set amount, the County is obligated to the financial security of the facility.

11. **LEASE OF COUNTY PROPERTY**

Uintah Health Care Special Service District has a lease agreement with Uintah County for the building and land located at 510 South 500 West in the City of Vernal, County of Uintah, State of Utah, known as the Uintah Care Center. The lease was for a two (2) year term, commencing on January 1, 2001, and terminating on December 31, 2003. The lease was renewable for an additional one-year period of time after the original contract. The contract was renewed in 2006 and the new lease amount in the contract was \$216,000 per year. The annual rent of \$216,000 is payable in semi-annual equal installments on June 1st and December 31st of each year.

12. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. The District pays an annual premium for this coverage.

13. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)
DETAIL STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2006

	<u>PATIENT ROOM</u>	<u>ANCILLARY</u>	<u>MISCELLANEOUS</u>	<u>TOTAL</u>
OPERATING REVENUES:				
Medicaid -				
ICF	\$ 2,061,512			\$ 2,061,512
SNF	774,821			774,821
Supplies		\$ 98,481		98,481
Medicare -				
SNF	633,276			633,276
A - supplies		7,276		7,276
A - respirathory therapy		6,185		6,185
A - physical therapy		187,940		187,940
A - lab		26,674		26,674
A - pharmacy		74,478		74,478
A - IV therapy		8,199		8,199
A - speech therapy		25,924		25,924
A - occupational therapy		194,805		194,805
Day Care	17,268			17,268
Veterans administration	123,486	11,854		135,340
Managed Care		9,386		9,386
Private pay	1,040,175	36,108		1,076,283
Miscellaneous -				
Meals			\$ 3,838	3,838
Mineral lease revenue			522,379	522,379
Other			12,498	12,498
Total operating revenue	\$ 4,650,538	\$ 687,310	\$ 538,715	\$ 5,876,563
Contractual adjustments (increase(decrease))	\$ 56,395	\$ (644,563)	\$...	\$ (588,168)
NET OPERATING REVENUE	\$ 4,706,933	\$ 42,747	\$ 538,715	\$ 5,288,395

UTAH HEALTH CARE SPECIAL SERVICE DISTRICT
 (A COMPONENT UNIT OF UTAH COUNTY)
 DETAIL STATEMENT OF EXPENSES
 YEAR ENDED DECEMBER 31, 2006

	PLANT					ANCILLARY AND RECREATIONAL	TOTAL
	ADMINISTRATIVE	OPERATIONS AND PROPERTY COSTS	DIETARY	LAUNDRY AND HOUSEKEEPING	NURSING AND DIRECT CARE		
OPERATING EXPENSES:							
Salaries and benefits	\$ 1,197,198	\$ 73,485	\$ 193,620	\$ 173,768	\$ 1,677,431	\$ 296,080	\$ 3,611,582
Management services	152,299						152,299
Consultant and purchased services	14,213	12,517	8,562		4,872	105,276	145,440
Operating supplies	11,346	2,964	21,398	59,597	4,256	977	100,538
Medical supplies						110,121	110,121
Pharmacy costs						82,394	82,394
Recreation supplies						5,149	5,149
Bed assessment tax							
Utilities	187,143						187,143
Telephone	24,674	146,673					146,673
Travel	7,791						24,674
Data processing	7,817						7,791
Insurance		55,985					7,817
Food costs			180,942				55,985
Depreciation		37,728					180,942
Building rent		216,000					37,728
Contributions	1,139						216,000
Capital expenses (under threshold)		31,533			316		1,139
Postage and printing	4,523						31,849
Training and seminars	3,664				263		4,523
Repairs and maintenance		39,074					3,927
Fuel		733					39,074
Dues, subscriptions and license	13,701						733
Legal and accounting	12,370						13,701
Bank charges	4,375						12,370
Miscellaneous					1,102		4,375
Total operating expenses	\$ 1,642,253	\$ 616,692	\$ 404,522	\$ 233,365	\$ 1,688,240	\$ 599,997	\$ 5,185,069

**UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - ALLOCATED FOR ALL CENTERS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT AUDIT TOTALS DECEMBER 31, 2006	GOLDEN AGE CENTER ALLOCATED TOTALS DECEMBER 31, 2006	HEALTH CARE CENTER ALLOCATED TOTALS DECEMBER 31, 2006	UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT ALLOCATED TOTALS DECEMBER 31, 2006
Operating Revenues: (allocated to Centers)				
Charges for services -				
Medicaid	\$ 2,934,814		\$ 2,934,814	
Medicare	1,164,757		1,164,757	
Day care	17,268		17,268	
Veterans Admin/Managed Care/Private pay	1,221,009		1,221,009	
Less: Contractual adjustments	(588,168)		(588,168)	
Project income	34,851	\$ 34,851		
Intergovernmental revenue	116,841	116,841		
Mineral lease revenue	522,379			\$ 522,379
Donations	9,265	2,500	6,765	
Miscellaneous	9,586	15	9,571	
Total governmental revenues	\$ 5,442,602	\$ 154,207	\$ 4,766,016	\$ 522,379
Operating Expenses: (allocated to Centers)				
Salaries and benefits	\$ 3,748,593	\$ 137,011	\$ 3,611,582	
Management services	152,299		152,299	
Consultant and purchased services	145,440		145,440	
Operating supplies	103,291	2,753	100,538	
Medical supplies	110,121		110,121	
Pharmacy costs	82,394		82,394	
Recreation supplies	6,633	1,484	5,149	
Bed assessment tax	187,143		187,143	
Utilities	151,008	4,335	146,673	
Telephone	25,476	802	24,674	
Travel	8,837	1,046	7,791	
Data processing	7,817		7,817	
Insurance	55,985		55,985	
Food costs	225,414	44,472	180,942	
Depreciation	37,728		37,728	
Building rent	216,000		216,000	
Alternatives	14,608	14,608		
Ombudsman	8,193	8,193		
Sub-total operating expenses	\$ 5,286,980	\$ 214,704	\$ 5,072,276	\$

UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - ALLOCATED FOR ALL CENTERS
FOR THE YEAR ENDED DECEMBER 31, 2006

	UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT AUDIT TOTALS DECEMBER 31, 2006	GOLDEN AGE CENTER ALLOCATED TOTALS DECEMBER 31, 2006	HEALTH CARE CENTER ALLOCATED TOTALS DECEMBER 31, 2006	UINTAH HEALTH CARE SPECIAL SERVICE DISTRICT ALLOCATED TOTALS DECEMBER 31, 2006
Sub-total operating expenses (previous page)	\$ 5,286,980	\$ 214,704	\$ 5,072,276	
Nutrition	6,926	6,926		
Contributions	1,139		1,139	
Capital expenses (under threshold)	31,849		31,849	
Postage and printing	4,523		4,523	
Training and seminars	3,927		3,927	
Repairs and maintenance	44,399	5,325	39,074	
Fuel and auto repairs	8,646	7,913	733	
Dues, subscriptions and license	13,701		13,701	
Legal and accounting	13,100	730	12,370	
Bank charges	4,375		4,375	
Miscellaneous	6,187	5,085	1,102	
Total operating expenses	\$ 5,425,752	\$ 240,683	\$ 5,185,069	\$
Operating income/(loss)	\$ 16,850	\$ (86,476)	\$ (419,053)	\$ 522,379
Non-operating revenues (expenses) (District amounts allocated to Centers)				
Interest income	\$ 16,218	\$ 2,275	\$ 13,943	
Interest expense	(11)		(11)	
County contribution	216,000		216,000	
County contribution - equipment	31,627		31,627	
Transfer to Health Care Center			40,000	\$ (40,000)
Transfer to Golden Age Center		94,000		(94,000)
Contribution to other government	(22,223)			(22,223)
Total non-operating revenues (expenses)	\$ 241,611	\$ 96,275	\$ 301,559	\$ (156,223)
Change in net assets	\$ 258,461	\$ 9,799	\$ (117,494)	\$ 366,156

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DOUGLAS RASMUSSEN, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Uintah Health Care
Special Service District
Vernal, Utah 84078

RE: Report on Compliance and Other Matters
And on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of the business-type activities of Uintah Health Care Special Service District, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as define above.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the operating committee, management, others within the organization, board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laurie Rich & Marsing", written in dark ink.

Price, Utah

June 27, 2007

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

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CRAIG G. SMUIN, C.P.A.

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Uintah Health Care
Special Service District
Vernal, Utah 84078

Re: Report on Legal Compliance with
Applicable Utah State Laws and
Regulations

We have audited the accompanying financial statements of the business-type activities of Uintah Health Care Special Service District for the year ended December 31, 2006, and have issued our report thereon dated June 27, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance programs from the State of Utah.

Mineral Lease (Department of Transportation)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

AAD State General Funds (Department of Human Services)

ALM Alternatives Program (Department of Human Services)

Our audit also included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt

Purchasing Requirements

Budgetary Compliance

Special Districts

Other General Issues

Cash Management

The management of Uintah Health Care Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate letter issued June 27, 2007. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Uintah Health Care Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

SMUIN, RICH & MARSING



Price, Utah

June 27, 2007

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Members of the Administrative Control Board
Uintah Health Care Special Service District
Vernal, Utah 84078

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Uintah Health Care Special Service District for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive. We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

INTERNAL CONTROLS AND STATE COMPLIANCE ISSUES

Employees Payroll Reimbursement and Documentation

The District is allowing employees to purchase needed supplies through an employee payroll reimbursement plan. The District pays for the items and then the cost of these items are deducted from the employees check(s). While reviewing the documentation and support for these transactions, we found a lack of proper controls and adequate documentation.

We recommend that the District review their procedures for accurately recording and reporting to the payroll department the items purchased by employees. The payroll department should have procedures in place that ensure the employee is charged for the purchase timely.

Client Response

The District will review the information generated for employee purchases to determine what procedures need to be established to provide accurate documentation to the payroll department. The payroll department will establish better controls to ensure that the employees are charged for their purchases.

INTERNAL CONTROLS AND STATE COMPLIANCE ISSUES (Continued)

Bank Reconciliations

While reviewing the bank reconciliation process and the subsequent recording of all transactions in the financial statements, we found that this process is not done on a timely basis. Entries that should be recorded within a reasonable period of time, usually within the next few months, were sometimes being recorded at year-end. Although the transactions were not material in nature, they should be recorded on a more-timely basis.

We recommend that the District implement a bank reconciliation process that allows all transactions to be found and recorded in the financial statements within a reasonable period of time. This will allow the District to recognize all entries that affect cash and other accounts and provide better financial statement presentation.

Client Response

The District understands the need to reconcile bank accounts on a regular consistent basis and will implement procedures to ensure that this process is performed.

Proper authorization by the New Administrative Control District Board

The District has allowed the Care Center Board and the Golden Age Center Board to authorize disbursements and other transactions that occur within these District activities. While the other boards serve a purpose and function, they do not possess the ultimate responsibility held by the Administrative Control Board of the District. Proper authorization for expenditures and other transactions is imperative for proper internal control.

We recommend that the Administrative Control Board of the District review and authorize all transactions of the District.

Client Response

The Administrative Control Board of the District will review and authorize all transactions of the District.

Duplication of Financial Information

During our review of the cash disbursements, we found that the District had issued duplicate check numbers and many of the checks issued had different check numbers created by the accounting system compared to the printed number on the check. While mistakes are made at times, proper review and taking adequate time in preparing and printing checks should minimize duplication of financial information. Occurrences would happen very infrequently and should only occur with very few transactions.

We recommend that the District review their procedures and controls for check writing transactions to determine if changes need to be implemented.

Client Response

The District will review their procedures and determine if this was an isolated case. If changes need to be made, the District will implement better internal controls.

SUMMARY

We feel the Internal Controls and State of Utah Legal Compliance issue mentioned above are some areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah

June 30, 2007